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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-77144; File No. SR-BOX-2016-07)

February 16, 2016

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Market LLC (“BOX”) Options Facility

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 5, 2016, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Fee Schedule to make two changes to the Volume Based Rebates for Market Makers in Non-Auction Transactions. First, the Exchange proposes to specify that transactions which are not the result of a Market Maker quotation will be considered exempt from the Tiered Volume Rebate for Market Makers in Non-Auction Transactions.

Additionally, the Exchange proposes to amend the structure and distinguish between whether the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

Market Maker is a liquidity provider or a liquidity taker within the transactions. Market Makers will no longer be eligible for a rebate on their Non-Auction Transactions which take liquidity.

Market Maker transactions which take liquidity or are not the result of a Market Maker quote will continue to count toward the Market Maker's overall executed volume on BOX each month.

The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's Internet website at

<http://boxexchange.com>.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Section I.A.1 of the BOX Fee Schedule (Tiered Volume Rebate for Non-Auction Transactions).

The Exchange currently provides tiered rebates to Public Customers and Market Makers in Non-Auction Transaction who achieve certain volume based thresholds. The Exchange calculates percentage thresholds on a monthly basis by totaling the Market Maker or Public Customer's executed volume on BOX, relative to the total national Market Maker or Customer volume in multiply-listed options classes.

The Exchange proposes to make two changes to the Volume Based Rebates for Market Makers in Non-Auction Transactions. First, the Exchange proposes to specify that transactions which are not the result of a Market Maker quotation will be considered exempt from the Tiered Volume Rebate for Market Makers in Non-Auction Transactions. Additionally, the Exchange proposes to amend the structure and distinguish between whether the Market Maker is a liquidity provider or a liquidity taker within the transactions. Market Makers will no longer be eligible for a rebate on their Non-Auction Transactions which take liquidity. Market Maker transactions which take liquidity or are not the result of a Market Maker quote will continue to count toward the Market Maker's overall executed volume on BOX each month.

The new per contract rebate for Market Makers in Non-Auction Transactions as set forth in Section I.A.1. of the BOX Fee Schedule will be as follows:

		<b>Per Contract Rebate</b>	
<b>Tier</b>	<b>Percentage Thresholds of National Market Maker Volume in Multiply-Listed Options Classes (Monthly)</b>	<u>Maker</u>	<u>Taker</u>
1	0.000% - 0.069%	\$0.00	\$0.00
2	0.070% - 0.249%	(\$0.03)	\$0.00
3	0.250% - 0.299%	(\$0.05)	\$0.00
4	0.300% and Above	(\$0.10)	\$0.00

		<b>Per Contract Rebate</b>			
		Penny Pilot Classes		Non-Penny Pilot Classes	
<b>Tier</b>	<b>Percentage Thresholds of National Customer Volume in Multiply- Listed Options Classes (Monthly)</b>	Maker	Taker	Maker	Taker
1	0.000% - 0.129%	\$0.00	\$0.00	\$0.00	\$0.00
2	0.130% - 0.339%	(\$0.15)	(\$0.15)	(\$0.40)	(\$0.40)
3	0.340% - 0.549%	(\$0.25)	(\$0.25)	(\$0.50)	(\$0.50)
4	0.550% and Above	(\$0.40)	(\$0.40)	(\$0.90)	(\$0.70)

The Exchange also proposes to make non-substantive technical changes to the date and volume based fees and rebates within the BOX Fee Schedule. Specifically, the Exchange proposes to relabel the highest tier within each structure to clarify what percentage of volume is needed to qualify for the tier. The Exchange also proposes to remove the reference date at the beginning of the BOX Fee Schedule.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,<sup>5</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed changes to the Tiered Volume Rebates for Market Makers in Non-Auction Transactions are reasonable, equitable and not unfairly discriminatory.

Specifically, the Exchange believes that exempting transactions which are not the result of Market Maker quote from the Market Maker Tiered Volume Rebate is reasonable, equitable and not unfairly discriminatory. BOX provides these volume based rebates to incentivize Market Makers to direct order flow to the Exchange to obtain the benefit of the rebate, which will in turn benefit all market participants by increasing liquidity on the Exchange. The Exchange believes by providing a rebate to only those transactions that are the result of a quote, Market Makers will be further encouraged to direct liquidity to BOX.

The Exchange believes it is reasonable to amend the structure of the Tiered Volume

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<sup>5</sup> 15 U.S.C. 78f(b)(4) and (5).

Rebates for Market Makers in Non-Auction Transactions to distinguish whether the Market Maker is a liquidity provider or liquidity taker, and remove the rebate for Market Makers that take liquidity. As stated above, the volume thresholds and applicable rebates are meant to incentivize Market Makers to direct order flow to the Exchange to obtain the benefit of the rebate, which will in turn benefit all market participants by increasing liquidity on the Exchange. The Exchange notes that, while certain Market Maker transactions will no longer receive a rebate, Market Maker Non-Auction transaction fees remain lower than other account types and are in line with the Market Maker fees at other exchanges.<sup>6</sup>

In summary, the proposed changes to the Market Maker Tiered Volume Rebate are intended to attract order flow to the Exchange by incentivizing Market Makers to post liquidity on BOX. The practice of providing incentives to increase order flow is, and has been, a common practice in the options markets. Further, the Exchange believes it is appropriate to provide incentives for Market Makers which will result in greater liquidity and ultimately benefit all Participants trading on the Exchange.

The Exchange believes that the non-substantive technical changes to the BOX Fee Schedule are reasonable, equitable and not unfairly discriminatory. Specifically, the Exchange believes it is reasonable and appropriate to clarify the parameters of those tiers in order for Participants to better understand what percentage of volume qualifies for a rebate. The Exchange also believes it is reasonable to remove the reference date, as doing so will reduce investor

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<sup>6</sup> Market Makers are charged anywhere from to \$0.05 to \$0.29 on the Miami International Securities Exchange, LLC (“MIAX”), See the MIAX Fee Schedule Section I(a)(i) “Market Maker Transaction Fees” and “Market Maker Sliding Scale”; and charged \$0.39 to \$0.95 on the NASDAQ OMX BX, Inc. (“BX Options”) Chapter XV, Section 2 BX Options Market – Fees and Rebates; and charged \$0.35 to \$1.10 on NASDAQ Stock Market LLC (“NOM”) Chapter XV, Section 2 NASDAQ Options Market – Fees and Rebates.

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B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange believes that amending the proposed rebate structure for Maker [sic] Maker Non-Auction Transactions will not impose a burden on competition among various Exchange Participants. The Exchange believes that the proposed changes will result in Market Makers being rebated appropriately for these transactions. Further, the Exchange believes that this proposal will enhance competition between exchanges because it is designed to allow the Exchange to better compete with other exchanges for order flow.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing exchanges. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act<sup>7</sup> and Rule 19b-4(f)(2) thereunder,<sup>8</sup> because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>8</sup> 17 CFR 240.19b-4(f)(2).

summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2016-07 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2016-07. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those

that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2016-07, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Brent J. Fields  
Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).



